

## **GROUP LIFE INSURANCE ADMINISTRATION**

The Commonwealth of Kentucky solicits bids in accordance with Kentucky Revised Statutes KRS 18A.205 and KRS 45A.080 from qualified life insurance companies to provide coverage for its employees and their dependents.

All bidding companies must have an A or better rating with AM Best Rating. Bidders with an AM Best rating lower than an A shall not be considered.

The current life insurance contract was awarded July 1, 2005 to Prudential Insurance Company and will expire on June 30, 2007. The contract has been renewed with Prudential for two years and will expire June 30, 2009.

The state sponsored group life insurance is provided to over 148,000 employees. At present, about 23,000 employees are enrolled in Optional Insurance and about 19,000 employees are enrolled in Dependent Group Life coverage.

The Personnel Cabinet, Life Insurance Branch, provides administrative services for the state sponsored life contract. At the beginning of each month a wire transfer is requested from Treasury with a written itemized report showing the number of covered lives, premiums due, premiums received and adjustments made since the last wire report. No personal information is released to Prudential by the Group Life Insurance Branch except for the following request: the Proof of Death claim form, Underwriting/Evidence of Insurability Request and/or the Conversion Application.

The services provided by the Group Life Insurance Branch includes: keeping an updated eligibility data base, approving and processing enrollments, bill generation, reconciliation of premium payments, distribution of supplies, reviewing death claims for accuracy and completeness, answering questions and explaining life insurance coverage to employees and employers, providing training for life insurance coordinators, represent the Commonwealth and carrier at open enrollment sessions, and provide customer service. Services are provided to over 148,000 employees at 436 locations throughout the Commonwealth.

The Insurance carrier is only responsible for three services:

- ❖ Underwriting (evidence of insurability statement) approving when an employee wants additional coverage outside of a qualifying event
- ❖ Payment of claims (Group Life Insurance completes the claim form and request all information from the employer and beneficiary and verifies eligibility before mailing to carrier)
- ❖ Conversion applications (The employee calls into the Group Life Insurance office for a quote on the conversion policy. If the employee decides to convert their coverage, an application is completed by the GLI Branch and mailed to employee.)

Each employee is eligible for the basic amount of \$20,000 plus an accidental death and dismemberment policy of additional \$20,000 at no cost to the employee. No age limit and/or reduction are required for the Basic and Optional Insurance coverage.

Each employee after being hired is allowed to pick up coverage without providing evidence of insurability (evidence of good health) if enrollment is made within 30 days of the initial hire date. Also, an employee may enroll in the Dependent coverage within 30 days of acquiring a new dependent.

After the 30-day period has expired, an evidence of insurability must be completed by the employee and approved by the insurance carrier for additional coverage.

An open enrollment period is only offered when the contract is changed with a new carrier.

Each employee covered under the state sponsored contract is eligible to select from four optional plans or five dependent plans.

The four optional plans currently available are:

Plan 1	\$ 5,000
Plan 2	\$10,000
Plan 3	One times annual salary
Plan 4	Two times annual salary

The optional coverage is based on the employee's age. The age categories are: employees under 40 years of age; employees between 40 and 59 years of age; and employees 60 years of age and older. The salary does not automatically change for any employee that has Plan 3 or 4. An employee must request a salary increase within 30 days from the salary change.

The employees may also select from five dependent plans. Employees may select from a \$10,000 plan on a spouse while providing \$5,000 for each child under the age of 18 or the employee may select a plan to cover dependents separately.

Employee's can decrease coverage at any time by requesting in writing. By completing an evidence of insurability statement and requesting approval from the insurance carrier, an employee can pick up additional coverage.

The maximum amount of coverage that an employee is allowed without approval from the insurance carrier is \$150,000.

Each eligible employee receives a plan summary booklet from his and/or her employer. An individual certificate/summary is generated by the Group Life office and mailed directly to employee's home address. The certificate will show the amount of coverage and effective date of each plan the employee has enrolled in.

The Group Life Insurance Branch bills locations for the state sponsored life insurance and the additional life coverage on a monthly basis. Premium payments should be forwarded to the Group Life Insurance Branch by the due date.

When there is a death of an employee and/or dependent, the Group Life Insurance Branch receives a call from the employer or beneficiary. The Proof of Death Claim Form is completed by the Branch and mailed to the employer for additional information or documents needed to complete the claim. Once the information has been received by the Branch, the claim is reviewed for accuracy, completeness and eligibility requirements. The claim is signed off by the Branch for final review and mailed to the insurance carrier for processing.

When an employee and/or dependent are no longer eligible for the life insurance coverage, they may elect to convert their coverage over to an individual whole life insurance plan with the carrier. The employee and/or dependent would contact the Group Life Insurance Branch for a quote on the conversion policy. If the employee is interested in continuing their life insurance coverage, the Group Life Insurance Branch would complete the conversion application and mail to the employee with further instructions on paying premiums direct to the insurance carrier.